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# **FEDERAL DEPOSIT INSURANCE CORPORATION**

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## **Executive Management Report**

**Unaudited**

**Financial Results**

**For the Nine Months Ending September 30, 1997**

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**Division of Finance**

# Financial Highlights

## For the Nine Months Ending September 30, 1997

### ***Bank Insurance Fund (BIF):***

- ▶ Net income was \$1,113 million for the nine months ending September 30, 1997, raising the fund balance to \$28 billion.
- ▶ Revenue totaled \$1,182 million for the nine months ending September 30, 1997. The fund earned \$1,111 million in interest on investments in U.S. Treasury securities and earned \$20 million in deposit insurance assessments.
- ▶ Provision for insurance losses is a negative \$397 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- ▶ The liability for anticipated failures of insured BIF institutions fell to \$10 million from \$157 million one year earlier, reflecting the continued improvement in the condition of the banking industry.
- ▶ Total BIF operating expenses increased by \$73 million in the first nine months of 1997, compared to the same period last year, because fewer expenses were charged to receiverships as liquidation activity declined.
- ▶ Net cash provided by operating activities increased by \$590 million over the same period last year, due primarily to \$651.7 million received in January 1997 from the sale of common stock. The FRF had received the stock pursuant to a conversion, in December 1996, of warrants originally acquired from a 1987 assistance transaction.
- ▶ The accumulated deficit declined by \$885 million over the past year, as total resolution equity increased to \$1,916 million as of September 30, 1997.
- ▶ The FRF-FSLIC paid a \$26.6 million judgment, plus \$7.2 million in post-judgment interest, on September 19. The lawsuit had originally been brought against the Federal Home Loan Bank Board in connection with the 1987 recapitalization of Far West Federal Bank. A \$27 million provision for loss had previously been recorded for this litigation.

### ***~FRF-RTC~***

- ▶ The FRF-RTC earned \$229 million in interest income during the first nine months of 1997 on the securitization credit enhancement reserves that were transferred to the Corporation as a non-cash dividend in October 1996.
- ▶ Assets in liquidation totaled \$2.7 billion as of September 30, 1997, down by \$3.2 billion over the last 12 months.
- ▶ Federal Financing Bank (FFB) borrowings were reduced by \$4.7 billion to \$1.4 billion during the twelve months ending September 30, 1997.
- ▶ Provision for losses is a negative \$1,059 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- ▶ The accumulated deficit declined by \$2,731 million over the past year, as total resolution equity increased to \$6,141 million as of September 30, 1997.

### ***Savings Association Insurance Fund (SAIF):***

- ▶ Net income was \$365 million for the nine months ending September 30, 1997, increasing the fund balance to \$9.3 billion. Net income decreased by \$504 million compared to the same period in 1996, due primarily to a reduction in assessment revenue.
- ▶ Revenue totaled \$412 million during the nine months ending September 30, 1997, compared to \$898 million for the year-earlier period. An increase in interest income from \$168 million to \$397 million was more than offset by the decline of \$714 million in assessment revenue.
- ▶ Net assessment revenue through September 1997 totaled \$14 million compared to \$728 million for the same period last year. The decline resulted from a significant reduction in the SAIF's assessment rates after the capitalization of the SAIF in October 1996.
- ▶ Unrestricted cash and investments now comprise 96% of total assets.
- ▶ The estimated liability for anticipated failures of insured SAIF institutions as of September 30, 1997, decreased to \$0 from \$85 million at September 30, 1996, as the result of continued improvement in the financial condition of the thrift industry.
- ▶ No BIF-insured institutions have failed during 1997. During 1996, five BIF-insured banks with assets of \$183 million failed.
- ▶ The last BIF-insured institution to fail was Commonwealth Thrift and Loan of Torrance, California, on August 16, 1996.
- ▶ No SAIF-insured institutions have failed during 1997. During 1996, one SAIF-insured institution with total assets of \$35 million failed.
- ▶ The last SAIF-insured institution to fail was Union Federal Savings Bank of Los Angeles, California, on August 9, 1996.

### ***Bank and Thrift Failure Activity:***

### ***FSLIC Resolution Fund (FRF):***

#### ***~FRF-FSLIC~***

- ▶ Net receivables from thrift resolutions were \$94 million for September 1997, compared to \$295 million for September 1996, as assets of the former FSLIC continue to be liquidated.

# Statistical Highlights

## (Dollars in Millions)

<b>Fund Results</b>	<b>Bank Insurance Fund (Unaudited)</b>		<b>Savings Association Insurance Fund (Unaudited)</b>	
	<b>YTD 9/30/97</b>	<b>YTD 9/30/96</b>	<b>YTD 9/30/97</b>	<b>YTD 9/30/96</b>
Revenue	\$1,182	\$1,078	\$412	\$898
Operating Expenses	\$414	\$341	\$50	\$44
Insurance Losses/Expenses	(\$345)	\$84	(\$3)	(\$15)
Net Income	\$1,113	\$653	\$365	\$869
Fund Balance	\$27,967	\$26,106	\$9,253	\$4,227
<b><u>Selected Statistics</u></b>				
Total Insured Institutions	9,614 (a)	9,917 (b)	1,577 (a)	1,663 (b)
Institution Failures for Current Year	0	5	0	1
Total Assets of Current Year Failures	\$0	\$183	\$0	\$34 (c)
Total Estimated Losses of				
Current Year Failures	\$0	\$33	\$0	\$11
Receivership/Corporate Owned				
Assets in Liquidation	\$2,488	\$5,828	\$18	\$37

(a) Source: 6/30/97 FDIC Quarterly Banking Profile (latest available). BIF figure includes 31 U.S. branches of foreign banks.

(b) Source: 9/30/96 FDIC Quarterly Banking Profile. BIF figure includes 33 U.S. branches of foreign banks.

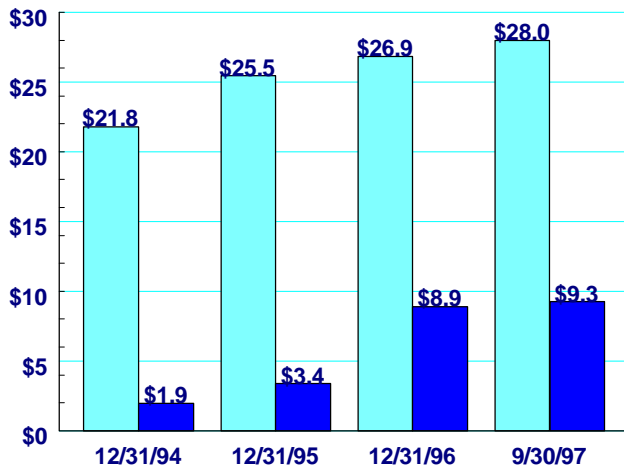
(c) Failed assets as originally reported at 9/30/96. Subsequent adjustments brought the total to \$35 million.

	<b>FRF - FSLIC (Unaudited)</b>		<b>FRF - RTC (Unaudited)</b>		<b>FRF - Consolidated (Unaudited)</b>	
	<b>YTD 9/30/97</b>	<b>YTD 9/30/96</b>	<b>YTD 9/30/97</b>	<b>YTD 9/30/96</b>	<b>YTD 9/30/97</b>	<b>YTD 9/30/96</b>
<b><u>Cash Flows</u></b>						
<b><i>Cash Flows from Operating Activities:</i></b>						
Cash Provided by Operating Activities	\$1,111	\$628	\$3,602	\$4,458	\$4,713	\$5,086
Cash Used for Operating Activities	(\$63)	(\$170)	(\$544)	(\$893)	(\$607)	(\$1,063)
Net Cash Provided by/(Used for) Operating Activities	\$1,048	\$458	\$3,058	\$3,565	\$4,106	\$4,023
<b><i>Cash Flows from Financing Activities:</i></b>						
U.S. Treasury Payments	\$0	\$0	\$0	\$0	\$0	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$3,182)	(\$4,475)	(\$3,182)	(\$4,475)
Payments of Indebtedness Incurred from Thrift Resolution	(\$32)	(\$32)	\$0	\$0	(\$32)	(\$32)
Net Increase/(Decrease) in Cash	\$1,016	\$426	(\$124)	(\$910)	\$892	(\$484)
<b><u>Selected Statistics</u></b>						
Resolution Equity	\$1,916	\$1,031	\$6,141	\$3,411	\$8,057	\$4,442
Number of Active Receiverships	29	37	401	435	430	472
Number of Other Liquidating Entities	57	57	18	18	75	75
Receivership/Corporate Owned Assets in Liquidation	\$314	\$805	\$2,671	\$5,928	\$2,985	\$6,733
Covered/Partnership Assets	\$0	\$54	\$0	\$0	\$0	\$54
Federal Financing Bank Borrowings	\$0	\$0	\$1,394	\$6,076	\$1,394	\$6,076

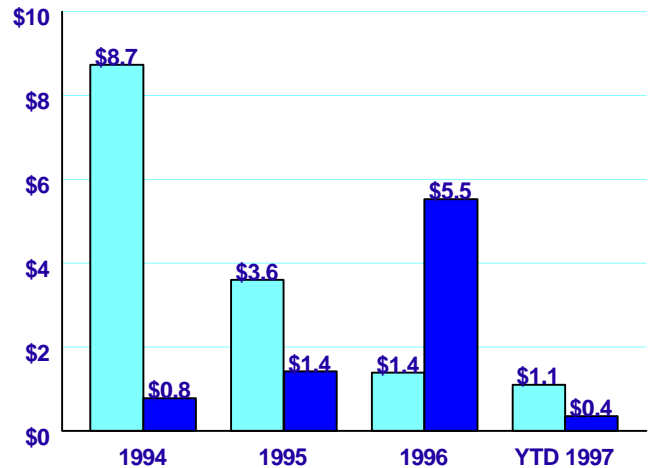
# Fund Operations

## Financial Results

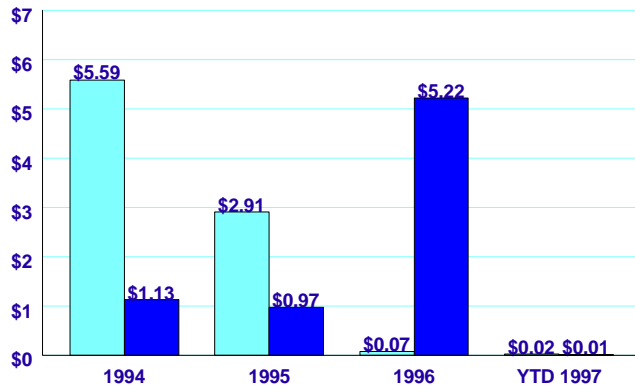
**Fund Balance**  
(Dollars in Billions)  
■ BIF ■ SAIF



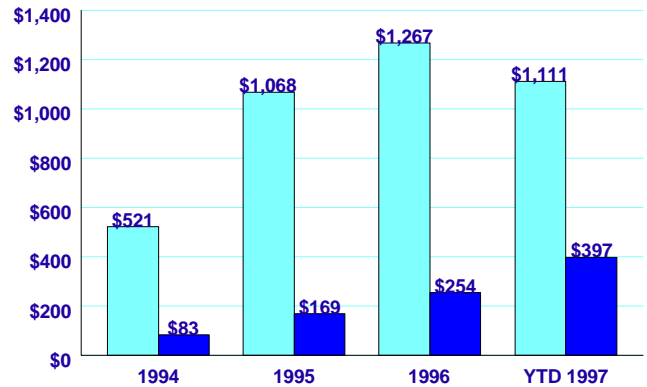
**Net Income**  
(Dollars in Billions)  
■ BIF ■ SAIF



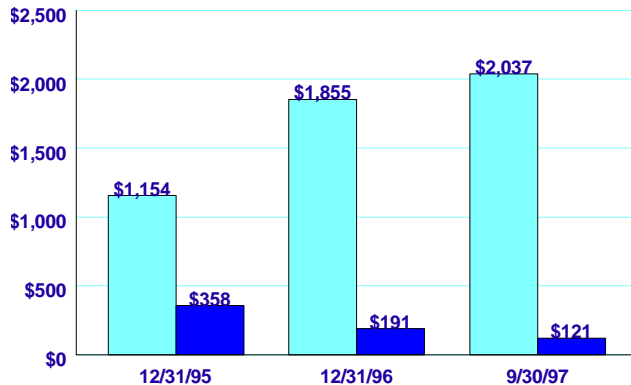
**Assessment Revenue**  
(Dollars in Billions)  
■ BIF ■ SAIF



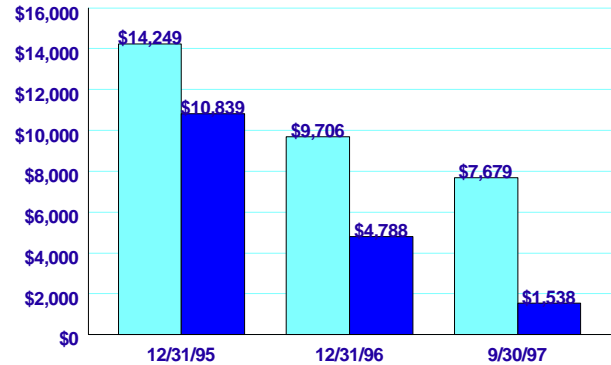
**Interest Income**  
(Dollars in Millions)  
■ BIF ■ SAIF



**FRF-FSLIC Resolution Progress**  
(Dollars in Millions)  
■ Total Assets ■ Total Liabilities



**FRF-RTC Resolution Progress**  
(Dollars in Millions)  
■ Total Assets ■ Total Liabilities

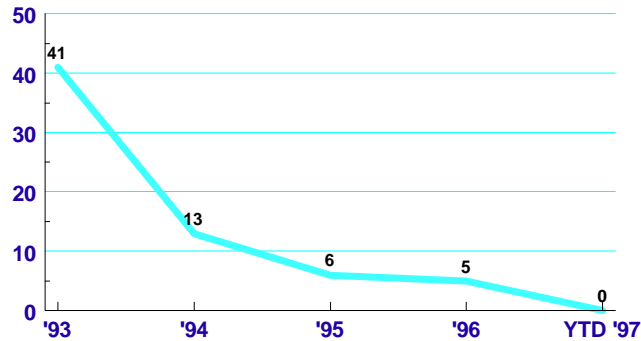


Results for the nine months ending September 30, 1997 are unaudited.

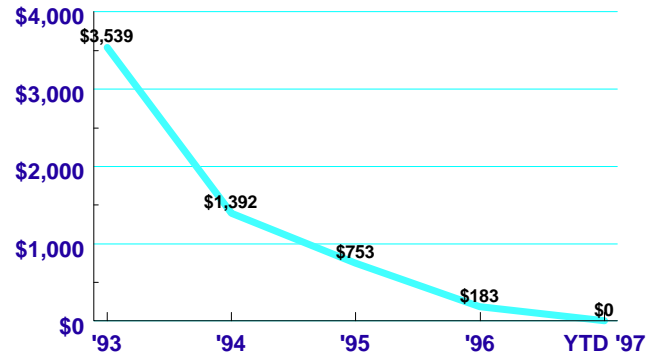
# Insurance Activity

Through September 1997

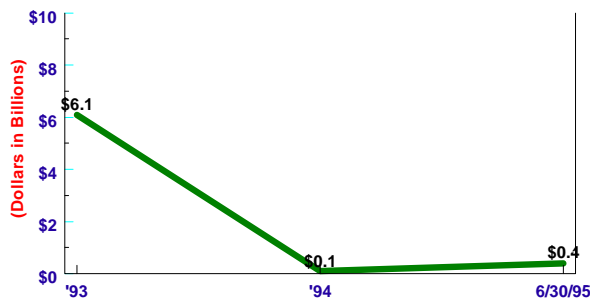
**Number of Closed and Assisted BIF-Member Institutions**



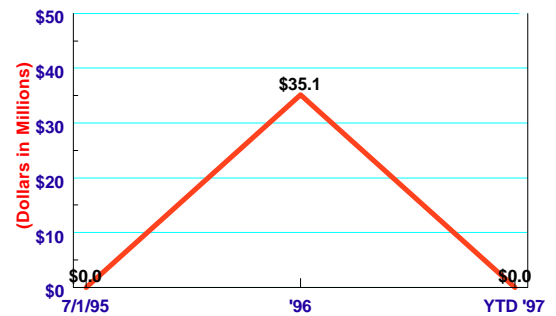
**Assets of Closed and Assisted BIF-Member Institutions**  
at Date of Closing or Assistance  
(Dollars in Millions)



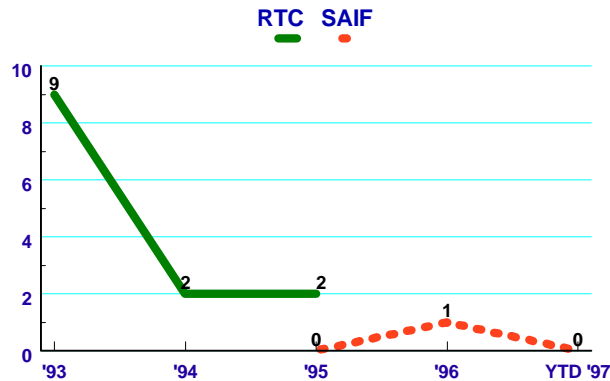
**RTC: Assets of Failed Thrifts \***  
at Date of Failure (Takeover Date)  
RTC



**SAIF: Assets of Failed Thrifts \***  
at Date of Failure  
SAIF



**Number of Thrift Failures \***  
(Measured by date of takeover)



\*The SAIF assumed responsibility for thrift-member institutions from the RTC on July 1, 1995.

# Federal Deposit Insurance Corporation

## Statements of Income and Fund Balance

(Dollars in Millions)

	<b>B I F</b>		<b>S A I F</b>	
	<b>Quarter Ending September 30</b>		<b>(Unaudited)</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b><u>Revenue</u></b>				
Assessments	\$ 7	\$ 17	\$ 0	\$ 247
Interest on U.S. Treasury investments	398	319	135	59
Revenue from corporate owned assets	11	11	0	0
Other revenue	5	10	1	1
<b>Total Revenue</b>	<b>421</b>	<b>357</b>	<b>136</b>	<b>307</b>
<b><u>Expenses and Losses</u></b>				
Operating expenses	144	123	19	12
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(321)	(61)	(2)	(18)
Corporate owned asset expenses	20	16	0	0
Interest and other insurance expenses	0	1	0	0
Subtotal Insurance Losses/Expenses	(301)	(44)	(2)	(18)
<b>Total Expenses and Losses</b>	<b>(157)</b>	<b>79</b>	<b>17</b>	<b>(6)</b>
<b>Net Income</b>	<b>578</b>	<b>278</b>	<b>119</b>	<b>313</b>
<b>Fund Balance - Beginning</b>	<b>27,389</b>	<b>25,828</b>	<b>9,134</b>	<b>3,914</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,967</b>	<b>\$ 26,106</b>	<b>\$ 9,253</b>	<b>\$ 4,227</b>

	<b>B I F</b>		<b>S A I F</b>	
	<b>Y-T-D September</b>		<b>Y-T-D September</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b><u>Revenue</u></b>				
Assessments	\$ 20	\$ 54	\$ 14	\$ 728
Interest on U.S. Treasury investments	1,111	938	397	168
Revenue from corporate owned assets	32	56	0	0
Other revenue	19	30	1	2
<b>Total Revenue</b>	<b>1,182</b>	<b>1,078</b>	<b>412</b>	<b>898</b>
<b><u>Expenses and Losses</u></b>				
Operating expenses	414	341	50	44
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(397)	24	(3)	(15)
Corporate owned asset expenses	51	59	0	0
Interest and other insurance expenses	1	1	0	0
Subtotal Insurance Losses/Expenses	(345)	84	(3)	(15)
<b>Total Expenses and Losses</b>	<b>69</b>	<b>425</b>	<b>47</b>	<b>29</b>
<b>Net Income</b>	<b>1,113</b>	<b>653</b>	<b>365</b>	<b>869</b>
<b>Fund Balance - Beginning</b>	<b>26,854</b>	<b>25,453</b>	<b>8,888</b>	<b>3,358</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,967</b>	<b>\$ 26,106</b>	<b>\$ 9,253</b>	<b>\$ 4,227</b>

# Federal Deposit Insurance Corporation

## Statements of Financial Position

(Dollars in Millions)

	<b>B I F</b> <b>September 30</b> <b>(Unaudited)</b>		<b>S A I F</b> <b>September 30</b> <b>(Unaudited)</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b><u>Assets</u></b>				
Cash and cash equivalents - available	\$ 242	\$ 347	\$ 198	\$ 207
Investment in U.S. Treasury obligations, net	26,217	21,539	8,922	4,256
Receivables from resolutions, net	1,170	4,260	6	23
Investment in corporate owned assets, net	16	7	0	0
<b><i>Cash and Investments (Restricted):</i></b>				
FICO Reserve	0	0	0	0
Exit fees	0	0	238	224
Property and buildings, net	146	149	0	0
Other assets, net	475	348	134	64
<b>Total Assets</b>	<b>\$ 28,266</b>	<b>\$ 26,650</b>	<b>\$ 9,498</b>	<b>\$ 4,774</b>
<b><u>Liabilities and the Fund Balance</u></b>				
Accounts payable and other liabilities	\$ 193	\$ 202	\$ 7	\$ 238
<b><i>Estimated Liabilities for:</i></b>				
Anticipated failure of insured institutions	10	157	0	85
Assistance agreements	49	50	0	0
Asset securitization guarantee	33	122	0	0
Litigation losses	14	13	0	0
<b>Total Liabilities</b>	<b>299</b>	<b>544</b>	<b>7</b>	<b>323</b>
<b><i>Funds Held in Escrow:</i></b>				
Assessment collections held on behalf of FICO	0	0	0	0
SAIF-member exit fees and investment proceeds held in escrow	0	0	238	224
<b>Total Funds Held in Escrow:</b>	<b>0</b>	<b>0</b>	<b>238</b>	<b>224</b>
<b>Fund Balance</b>	<b>27,967</b>	<b>26,106</b>	<b>9,253</b>	<b>4,227</b>
<b>Total Liabilities and the Fund Balance</b>	<b>\$ 28,266</b>	<b>\$ 26,650</b>	<b>\$ 9,498</b>	<b>\$ 4,774</b>

# Federal Deposit Insurance Corporation

## Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	September 30 1997 (Unaudited)	September 30 1996 (Unaudited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,820	\$ 699
Receivables from thrift resolutions, net	94	295
Investment in corporate owned assets, net	119	272
Other assets, net	4	5
<b>Total Assets</b>	<b>\$ 2,037</b>	<b>\$ 1,271</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 13	\$ 33
Liabilities incurred from thrift resolutions	99	137
<i>Estimated Liabilities for:</i>		
Assistance agreements	9	43
Litigation losses	0	27
<b>Total Liabilities</b>	<b>121</b>	<b>240</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,240)	(43,125)
<b>Total Resolution Equity</b>	<b>1,916</b>	<b>1,031</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,037</b>	<b>\$ 1,271</b>

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1997 (Unaudited)	Year to Date September 30 1996 (Unaudited)
<b><u>Revenue</u></b>		
Interest on U.S. Treasury obligations	\$ 61	\$ 17
Revenue from corporate owned assets	47	77
Limited partnership	5	54
Interest on advances and other revenue	13	16
<b>Total Revenue</b>	<b>126</b>	<b>164</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	2	2
Corporate owned asset expenses	33	48
Provision for losses	(201)	(155)
Interest and other insurance expenses	40	34
<b>Total Expenses and Losses</b>	<b>(126)</b>	<b>(71)</b>
<b>Net Income</b>	<b>252</b>	<b>235</b>
<b>Accumulated Deficit - Beginning</b>	<b>(42,492)</b>	<b>(43,360)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (42,240)</b>	<b>\$ (43,125)</b>



# Federal Deposit Insurance Corporation

## Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	September 30 1997 (Unaudited)	September 30 1996 (Unaudited)
<b><u>Assets</u></b>		
Cash	\$ 176	\$ 326
Receivables from thrift resolutions, net	2,289	8,977
Securitization Reserve Fund	5,107	0
Investment in corporate owned assets, net	107	496
Other assets, net	0	1
<b>Total Assets</b>	<b>\$ 7,679</b>	<b>\$ 9,800</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 136	\$ 225
Notes payable - Federal Financing Bank borrowings	1,394	6,076
Liabilities incurred from thrift resolutions	6	5
<i>Estimated Liabilities for:</i>		
Assistance agreements	0	0
Litigation losses	2	83
<b>Total Liabilities</b>	<b>1,538</b>	<b>6,389</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	91,345	91,346
Accumulated deficit	(85,204)	(87,935)
<b>Total Resolution Equity</b>	<b>6,141</b>	<b>3,411</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 7,679</b>	<b>\$ 9,800</b>

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1997 (Unaudited)	Year to Date September 30 1996 (Unaudited)
<b><u>Revenue</u></b>		
Interest on Securitization Reserve Fund	\$ 229	\$ 0
Revenue from corporate owned assets	20	33
Interest on advances and other revenue	48	262
<b>Total Revenue</b>	<b>297</b>	<b>295</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	5	5
Interest expense	110	307
Corporate owned asset expenses	18	8
Provision for losses	(1,059)	(25)
<b>Total Expenses and Losses</b>	<b>(926)</b>	<b>295</b>
<b>Net Income (Loss)</b>	<b>1,223</b>	<b>0</b>
<b>Accumulated Deficit - Beginning</b>	<b>(86,427)</b>	<b>(87,935)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (85,204)</b>	<b>\$ (87,935)</b>

# Federal Deposit Insurance Corporation

## Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
	September 30 1997 (Unaudited)	September 30 1996 (Unaudited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,996	\$ 1,025
Receivables from thrift resolutions, net	2,383	9,272
Securitization Reserve Fund	5,107	0
Investment in corporate owned assets, net	226	768
Other assets, net	4	6
<b>Total Assets</b>	<b>\$ 9,716</b>	<b>\$ 11,071</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 149	258
Notes payable - Federal Financing Bank borrowings	1,394	6,076
Liabilities incurred from thrift resolutions	105	142
<i>Estimated Liabilities for:</i>		
Assistance agreements	9	43
Litigation losses	2	110
<b>Total Liabilities</b>	<b>1,659</b>	<b>6,629</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	135,501	135,502
Accumulated deficit	(127,444)	(131,060)
<b>Total Resolution Equity</b>	<b>8,057</b>	<b>4,442</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 9,716</b>	<b>11,071</b>

CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1997 (Unaudited)	Year to Date September 30 1996 (Unaudited)
<b><u>Revenue</u></b>		
Interest on Securitization Reserve Fund	\$ 229	\$ 0
Interest on U.S. Treasury obligations	61	17
Revenue from corporate owned assets	67	110
Limited partnership	5	54
Interest on advances and other revenue	61	278
<b>Total Revenue</b>	<b>423</b>	<b>459</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	7	7
Corporate owned asset expenses	51	56
Provision for losses	(1,260)	(180)
Interest and other insurance expenses	150	341
<b>Total Expenses and Losses</b>	<b>(1,052)</b>	<b>224</b>
<b>Net Income</b>	<b>1,475</b>	<b>235</b>
<b>Accumulated Deficit - Beginning</b>	<b>(128,919)</b>	<b>(131,295)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (127,444)</b>	<b>\$ (131,060)</b>